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FM AMEMBASSY KINGSTON
TO RUEHC/SECSTATE WASHDC PRIORITY 7268
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
INFO RUCNCOM/EC CARICOM COLLECTIVE

UNCLAS SECTION 01 OF 03 KINGSTON 000097

SENSITIVE
SIPDIS

STATE FOR WHA/CAR (BPREMONT, ACADIEUX, VDEPIRRO, WSMITH)
WHA/EPSC (MROONEY, FCORNEILLE)
EEB/ESC (MMcMANUS, DMONOSSON)
EEB/TRA/OTP (BJSILER)
OES/EGC (GTHOMPSON)

TREASURY FOR ERIN NEPHEW

E.O. 12958: N/A
TAGS: [ENRG](#) [ECON](#) [SENV](#) [EFIN](#) [EINV](#) [ETRD](#) [TRYX](#) [IADB](#) [IBRD](#) [PGOV](#)
KGGH, IMF, OECD, EUN, GM, JM, XL
SUBJECT: JAMAICA: ENERGY SECTOR DEVELOPMENTS;
PUSH FOR DIVERSIFICATION

REF: 08 STATE 134385 (241630Z DEC 08)

Summary

1.(SBU) Jamaica is exploring a wide range of initiatives in hopes of diversifying its energy use, including:

- a successful roll-out of E10 ethanol;
 - conversion of power stations from heavy fuel oil to coal and/or compressed natural gas;
 - expansion of the WIGTON wind farm and development of an island-wide wind map;
 - a plant to manufacture solar photovoltaic panels and solar water heaters;
 - net metering legislation;
 - energy efficiency ventures for the National Water Commission, hospitals, and schools;
 - Waste-to-Energy Electricity Generation Plants.
- End Summary.

Diversification Strategy

2.(SBU) EmbOfs and USAID Act. Director met with the Government of Jamaica (GoJ)'s Minister of Energy, Clive Mullings, on February 4 to discuss recent developments in the energy sector and ongoing initiatives with renewables.
Mullings said the Ministry was in the process of developing a matrix of energy projects and possible sources of funding; once this matrix was in place, the next step would be to beef up the technical capacity, including the requisite information technology software to manage the projects. He also confirmed that Marubeni (majority owners of the local electricity monopoly, Jamaica Public Service--JPS) is in talks with a prospective investor, TAQA, the national energy company in Abu Dhabi, to purchase 40 percent of the company. TAQA is interested in converting one of the company's power stations from heavy fuel oil (HFO)-fired generators to coal. The Minister said, as part of the diversification strategy, he is still considering compressed natural gas (CNG) for another power station, and hopes to meet with OPIC to collaborate on geothermal energy possibilities.

3.(SBU) Mullings told EmbOffs that the recent roll out of ethanol at the pumps has surpassed expectations, with over 100 stations offering E-10, up from ten in early November; consumption has moved to almost 10,000 barrels a day. He said feedstock continues to be imported from Brazil for conversion to ethanol, but the end game was to develop the local sugar industry to produce the feedstock. Most investor interest continues to be in wind, and in particular the government-owned and operated WIGTON wind farm. Nine turbines are to be sourced from VESTAS of Denmark at a project cost of between USD 40 to 50 million, adding a further 18 MW to the existing 20.7 MW. The Minister acknowledged that WIGTON currently is unprofitable because of low tariff rates, but said this would be addressed. He also said a 60-70 MW hydro project also would be viable once the price of oil goes beyond USD 50 a barrel.

4.(SBU) Regarding the issue of data required to attract interest by the private sector in renewable projects, Mullings confirmed that he was currently working out a protocol with the Jamaica Meteorological Service to collect data at various sites. University of the West Indies Professor Anthony Chen, one of the author's of the Climate Change Report, also has been contracted to develop a wind map. The Minister also told EmbOffs that some solar projects have been approved under the PETROCARIBE Fund. He concluded by asserting that the net metering legislation required to provide an incentive for new private sector players to enter the market definitely will be effected this year.

PETROCARIBE Fund for renewable and energy-efficiency projects

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5.(SBU) In January, the Permanent Secretary in the Ministry of Energy, Dr. Jean Dixon, reported that the GoJ was awaiting a final decision on the USD 160 million approved by the PETROCARIBE Fund for 13 renewable and energy-efficiency projects. The PETROCARIBE Agreement was signed in 2005 and allows Jamaica to convert 40 percent of daily oil purchases up to 23,500 barrels from Venezuela into a long-term soft loan. Jamaica also is allowed to barter goods and services, including tertiary education, for oil, under the agreement. The meeting to finalize whether the funds will be provided as soft loans or grants was postponed in December; a new date has not yet been set. Included among the projects is an ambitious program to shift Jamaican schools to solar power. The projects are broken down into two categories - energy saving and renewable energy. Chief among the energy saving projects are energy efficiency ventures for the National Water Commission, hospitals, and schools. Renewable energy projects include, inter alia: (a) the 18 MW expansion at WIGTON Wind Farm; (b) a plant to manufacture solar photovoltaic panels and solar water heaters; and, (c) net metering legislation. These projects are intended to support Mullings' ambition to increase the use of renewable energy from the current 5.6 percent to 10 percent by 2010 and 15 percent by 2015.

Waste-to-Energy Electricity Generation Plants

6.(SBU) Following support from the Embassy, the Petroleum Corporation of Jamaica (PCJ) published a new Request for Proposal (RFP), seeking partners to develop two waste-to-energy electricity generation plants. Under the proposal, slated to close April 30, the PCJ plans to retain a 30 percent equity stake in the plants expected to generate anywhere from 20 to 35 MWs of electricity. A number of companies have been in dialogue with the GoJ regarding waste-to-energy projects, but to date only one company, the U.S.-based Red Energy Group, has established an office in Jamaica. Red Energy hopes to construct a 3.5 WM waste-to-energy plant, producing bio-diesel as a by-product. The company operates an identical plant in Washington State. According to Hopeton Heron of the PCJ, waste disposal sites received 940,000 tons of waste in 2006, and this is expected to grow to 1.2 million tons by 2010. Almost 25 percent of domestic waste is uncollected. Heron told EmbOffs that he has gotten a number of verbal statements of

interest, and some companies already have submitted written queries to which they currently are providing answers. A waste-to-energy deal will be a welcome development for Jamaica, particularly given the attendant effects of frequent outbreak of fires at the waste disposal site located in the Kingston Metropolitan Area.

7.(SBU) Additional initiatives underway include the following:

(A) Prior to the release of the RFP, Post worked with the U.S. Trade and Development Agency (USTDA) to send three participants from Jamaica on a Waste-to-Energy orientation visit to the United States.

This visit provided Jamaica with the background information required to develop the RFP and was followed by a visit from a USTDA contracted consultant.

(B) In 2008, the U.S. Embassy supported Jamaica in its submission of a proposal to the OECD-based Partnership for Democratic Governance (PDG) requesting five-to-six on-site technical experts in renewables to assist the Ministry of Energy for a two to three year period. Jamaica was chosen as a top priority country for PDG work.

(C) Post also has been monitoring progress on the U.S./Brazil bio-fuels agreement, under which Jamaica will receive a USD 150,000 to 250,000 grant to pursue bio-fuels policies and projects.

(D) Post also has applied to the Science Fellow's Program, and succeeded in finding a scientist to help Jamaica develop its bio-fuels program. The candidate is Dr. Clifford Louime of Florida A&M University. Energy Ministry Permanent Secretary Dr. Jean Dixon considers Dr. Louime's CV impressive, and has said his expertise would be invaluable in ensuring the sustainability of the country's bio-fuels program.

(E) Dr. Dixon also advises that, with the support of UNECLAC, the country is preparing a bio-fuels policy, and has set April, 2009 as the deadline for its implementation.

8.(SBU) Jamaica's push for renewables could not have come at a better time, as the Office of Utilities Regulation (OUR) has

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disclosed that the country will need to increase its power capacity by 75 percent or 600 MW within a decade, of which 10 percent should be from renewable sources. The additional generating capacity will be required to compensate for increased demand and retirement of inefficient, oil guzzling generators. The first block of 60 MW is the subject of a RFP requiring that the entire capacity be commissioned by 2010 with a preference for at least 20 MW by 2009. The country currently has a capacity of 817.7 MW, most of which is supplied by the JPS. The OUR has made it clear that, although oil prices have moderated considerably, oil is still not the preferred option for generation. Instead, the OUR is leaning towards technologies based on coal and/or natural gas, and more importantly renewables. However, the OUR continues to express disappointment in the interest in renewable technologies and has attributed this to: (a) the lack of data on wind speed and river flow; (b) the lack of protocols regarding the utilization of garbage for energy; and, (c) unavailability of land to grow feedstock for biomass.

9.(SBU) At the same time, Jamaica has not ruled out the possibility of finding oil in its territorial waters; in addition to exploratory work being undertaken by Finder Exploration, the government has penned a three-month seismic operation with Norwegian firm, Wavefield Inseis, to explore for oil and gas resources. The exploration will be conducted to source data for sale to multiple parties and will cost in excess of USD 8 million and last for three months. The GOJ is hopeful that the survey will be successful enough to initiate a bidding process later this year.

No Position on IRENA

10.(SBU) In response to EmbOff's inquiry, Mullings confirmed that the GoJ has not formulated any position with respect to the International Renewable Energy Agency (IRENA)(reftel); to his knowledge, Jamaica had not been represented at the recent launch in

Bonn, and had not yet been approached regarding IRENA.

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